

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2013
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SIOUX CENTER COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2013

Board of Education (After September 2011 Election)

		Term Expires
Tim Gesink	President	2015
Lori Zomermaand	Vice President	2013
Tim Dykshorn	Board Member	2013
Dale Kraayenbrink	Board Member	2013
Mark Rensink	Board Member	2015

School Officials

Patrick O'Donnell	Superintendent	2013
Ardith Lein	District Secretary	2013
Joann Gotto	District Treasurer	2013



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Sioux Center Community School District
Sioux Center, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 12 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial statements for the nine years ended June 30, 2012, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2013, on our consideration of the Sioux Center Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sioux Center Community School District's internal control over financial reporting and compliance.


Certified Public Accountants

Le Mars, Iowa
December 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sioux Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,780,766 in fiscal 2012 to \$10,888,105 in fiscal 2013, while General Fund expenditures increased from \$10,112,145 in fiscal 2012 to \$10,687,305 in fiscal 2013. The District's General Fund balance increased from \$2,013,329 in fiscal 2012 to \$2,214,129 in fiscal 2013.
- The fiscal year 2013 increase in General Fund revenues were attributable to increases in property tax and state grant revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The General Fund balance increased because the district increased cash reserve.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Sioux Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Sioux Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The fiduciary statements provide financial information about activities for which the Sioux Center Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Sioux Center Community School District Annual Financial Report

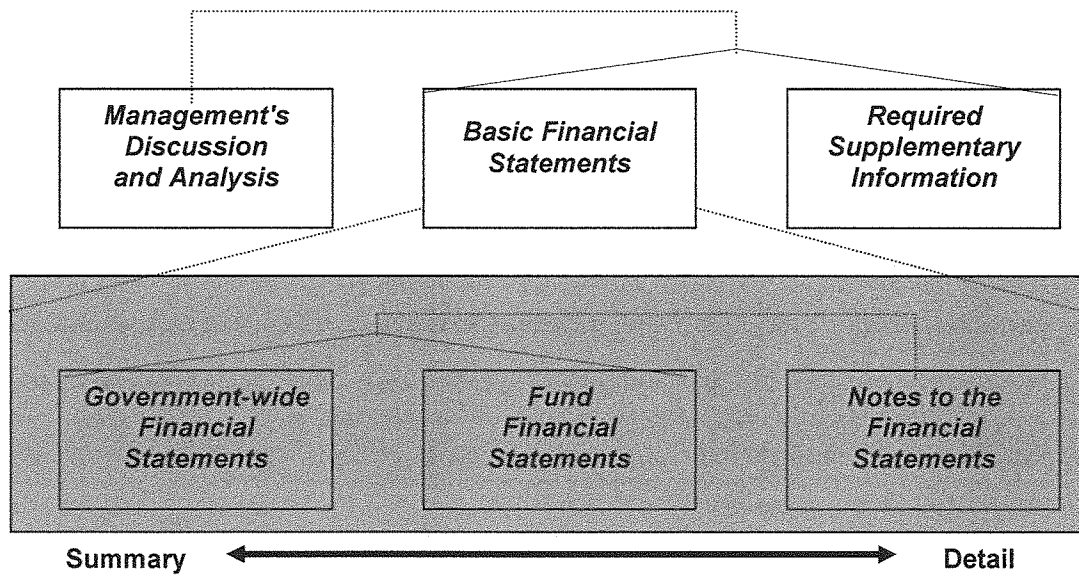


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$ 9,928,129	\$ 10,166,852	\$ 34,547	\$ 37,143	\$ 9,962,676	\$ 10,203,995	2.42%
Capital assets	17,959,032	17,466,220	52,512	41,259	18,011,544	17,507,479	(2.80)%
Total assets	27,887,161	27,633,072	87,059	78,402	27,974,220	27,711,474	(0.94)%
Long-term liabilities	12,589,771	11,375,125	-	-	12,589,771	11,375,125	(9.65)%
Other liabilities	1,202,977	1,412,418	7,931	10,790	1,210,908	1,423,208	(17.50)%
Total liabilities	13,792,748	12,787,543	7,931	10,790	13,800,679	12,798,333	(7.20)%
Deferred Inflows of Resources	\$ 5,477,523	\$ 4,986,667	-	-	\$ 5,477,523	\$ 4,986,667	(8.9)%
Net Position:							
Net Capital Assets, Investment	5,624,032	6,639,837	52,512	41,259	5,676,544	6,681,096	17.70%
Restricted	773,851	901,406	-	-	773,851	901,406	16.48%
Unrestricted	2,219,007	2,317,619	26,616	26,353	2,245,623	2,343,972	4.38%
TOTAL NET POSITION	\$ 8,616,890	\$ 9,858,862	\$ 79,128	\$ 67,612	\$ 8,696,018	\$ 9,926,474	14.15%

The District's combined total net position increased by 14.15%, or approximately \$1,230,000 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$127,500 or 16.5% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$98,000, or 4%. This increase in unrestricted net position was a result of the District's effort to reduce expenditures and increase the cash reserve levy.

Figure A-4 shows the change in net position for the years ended June 30, 2013 and 2012.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Revenues							
Program Revenues:							
Charges for services	\$ 926,311	\$ 837,793	\$ 247,101	\$ 261,740	\$ 1,173,412	\$ 1,099,533	(6.30)%
Operating grants & contributions	1,769,585	1,665,352	239,166	249,395	2,008,751	1,914,747	(4.68)%
Capital grants & contributions	-	86,500	-	-	-	86,500	100.00%
General Revenues:							
Property taxes	5,591,417	6,034,394	-	-	5,197,468	6,034,394	16.10%
Statewide Sales , Service, and Use Tax	851,047	892,090	-	-	851,047	892,090	4.82%
Unrestricted state grants	4,032,506	4,188,984	-	-	4,032,506	4,188,984	3.88%
Unrestricted investment earnings	17,602	15,416	217	130	17,819	15,546	(12.76)%
Other revenue	10,903	66,489	-	-	10,903	66,489	509.82%
Total Revenues	13,199,371	13,787,018	486,484	511,265	13,685,855	14,298,283	4.47%
Expenses:							
Instruction	7,322,931	8,394,783	-	-	7,322,931	8,394,783	14.64%
Support services	3,069,513	3,078,960	-	-	3,069,513	3,078,960	0.31%
Non-instructional programs	-	-	521,218	522,781	521,218	522,781	0.30%
Other expenditures	1,472,265	1,013,079	-	-	1,472,265	1,013,079	(31.19)%
Total expenses	11,864,709	12,486,822	521,218	522,781	12,385,927	13,009,603	5.04%
Change in net position before transfers	1,334,662	1,300,196	(34,734)	(11,516)	1,299,928	1,288,680	(0.87)%
Transfers	(9,685)	-	9,685	-	-	-	-%
CHANGE IN NET POSITION	1,324,977	1,300,196	(25,049)	(11,516)	1,299,928	1,288,680	(0.87)%
Net position beginning of year	7,291,913	8,616,890	104,177	79,128	7,396,090	8,696,018	17.58%
Prior Period Adjustment	-	(58,224)	-	-	-	(58,224)	-%
Net Position beginning of year as restated	7,291,913	8,558,666	104,177	79,128	7,396,090	8,637,794	14.38%
Net position end of year	\$ 8,616,890	\$ 9,858,862	\$ 79,128	\$ 67,612	\$ 8,696,018	\$ 9,926,474	14.15%

In fiscal year 2013 property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.5% increase in revenues and a 5% increase in expenses. Property tax increased \$836,926. The increase in expenses related to increases in instruction.

Governmental Activities

Revenues for governmental activities were \$13,787,018 and expenses were \$12,486,822. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2012	2013	Percent Change 2012-2013	2012	2013	Percent Change 2012-2013
Instruction	\$ 7,322,931	\$ 8,394,783	14.64%	\$5,184,618	\$ 6,592,873	27.16%
Support Services	3,069,513	3,078,960	.31%	2,953,912	2,837,040	(4.00)%
Other Expenses	1,472,265	1,013,079	(31.19)%	1,030,283	467,264	(54.65)%
TOTAL	\$11,864,709	\$12,486,822	5.24%	\$ 9,168,813	\$ 9,897,177	7.90%

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$837,793. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,751,852.
- The net cost of governmental activities was financed with \$6,926,484 in property and local other taxes and \$4,188,984 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$511,265 and expenses were \$522,781. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund to offset the increasing cost of purchased food.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sioux Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,054,960, above last year's ending fund balances of \$2,853,085.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. Even though expenditures did increase during the year, the increase in revenues was greater than the increase in expenditures.

- The General Fund balance increased from \$2,013,329 to \$2,214,129, due in part to measures taken by the district to control expenditures and by increasing the cash reserve levy.
- The Debt Service Fund Balance increased from \$26,492 at the end of fiscal year 2012 to \$31,870 at the end of fiscal year 2013. Debt Service revenue recorded in fiscal year 2013 increased by approximately \$107,720 over Debt Service revenue recorded in fiscal year 2012. Debt Service property tax levy and property valuation increased for fiscal year 2013 and caused Debt Service revenue to increase, expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$78,763 at June 30, 2012 to \$67,246 at June 30, 2013, representing a decrease of approximately 15%. For fiscal 2013, the District increased meal prices but still had a decrease in net assets due to the reduction in commodities and the increase cost of purchased food.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Sioux Center Community School District did not need to amend its annual budget.

The District's receipts were \$40,358 more than budgeted receipts. The most significant variance resulted from the District receiving more in Federal and Local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$18 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$515,769.

Figure A-6

	Capital Assets (net of depreciation)						
	Governmental		Business type		Total		Percentage Change
	Activities		Activities		School District		
	2012	2013	2012	2013	2012	2013	
Land	\$ 150,978	\$ 150,978	\$ -	\$ -	\$ 150,978	\$ 150,978	-%
Construction in progress	-	202,639	-	-	-	202,639	-%
Buildings	16,869,859	16,488,435	-	-	16,869,859	16,488,435	(2.26)%
Improvements	194,490	186,394	-	-	194,490	186,394	(4.16)%
Equipment & furniture	743,705	791,391	52,512	41,259	796,217	832,650	4.58%
TOTAL	\$17,959,032	\$17,819,837	\$52,512	\$41,259	\$18,011,544	\$17,861,096	(0.84)%

Long-Term Debt

At June 30, 2013 the District had \$11,375,125 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 9 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$30,000,000.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2012	2013	2012-2013
General obligation bonds	\$ 9,950,000	\$ 9,500,000	(4.52)%
Revenue bonds	935,000	460,000	(50.80)%
Capital loan notes	1,450,000	1,220,000	(15.86)%
Early retirement	229,200	150,000	(34.55)%
Compensated absences	25,571	30,752	20.26%
Net OPEB Liability	-	14,373	-%
	<u>\$ 12,589,771</u>	<u>\$ 11,375,125</u>	<u>(9.65)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased by 53 students. This increase in enrollment will increase the District's funding for fiscal year 2015.
- The District has evaluated the facility needs to ensure the buildings are modified and up to date for the efficient operation for years to come. The District will use a combination of resources from the Physical Plant and Equipment Levy Fund and Capital Projects funds to finance improvements. In addition, the district approved the issuance of debt in November of 2013 to finance new construction for additional facilities for the district and to update and remodel existing facilities.
- The District negotiated a 5.92% settlement in salaries and benefits for the 2014 school year. The district will negotiate a new agreement during fiscal 2014 for fiscal year 2015. If the settlement is in excess of "new money" or allowable growth in state funding, it will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact JoAnn Gotto, District Treasurer and Business Manager, Sioux Center Community School District, 550 9th Street NE, Sioux Center, Iowa, 51250.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental	Business	
	Activities	Type	
		Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,751,055	\$ 28,043	\$ 3,779,098
Receivables:			
Property Tax	35,754	-	35,754
Succeeding Year Property Tax	4,986,667	-	4,986,667
Income Surtax	424,034	-	424,034
Due from Other Governments	460,092	-	460,092
Inventories	-	9,100	9,100
Restricted Assets:			
Cash and Cash Equivalents	155,633	-	155,633
Land	150,978	-	150,978
Construction in Progress	202,639	-	202,639
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	17,466,220	41,259	17,507,479
Total Assets	27,633,072	78,402	27,711,474
LIABILITIES			
Accounts Payable	328,165	-	328,165
Salaries and Benefits Payable	1,015,361	522	1,015,883
Accrued Interest Payable	68,892	-	68,892
Unearned Revenue	-	10,268	10,268
Noncurrent Liabilities:			
Due Within One Year:			
General Obligation Bonds	450,000	-	450,000
Revenue Bonds	460,000	-	460,000
Capital Loan Notes Payable	230,000	-	230,000
Termination Benefits	60,000	-	60,000
Compensated Absences	13,167	-	13,167
Due in More Than One Year:			
General Obligation Bonds	9,050,000	-	9,050,000
Capital Loan Notes Payable	990,000	-	990,000
Termination Benefits	90,000	-	90,000
Compensated Absences	17,585	-	17,585
Net OPEB Liability	14,373	-	14,373
Total Liabilities	12,787,543	10,790	12,798,333
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-			
Subsequent Year Property Taxes	4,986,667	-	4,986,667
Total Deferred Inflows of Resources	4,986,667	-	4,986,667
NET POSITION			
Net Investment in Capital Assets	6,639,837	41,259	6,681,096
Restricted for:			
Categorical Funding	128,313	-	128,313
Management Levy	109,095	-	109,095
School Infrastructure	139,904	-	139,904
Physical Plant and Equipment Levy	188,005	-	188,005
Debt Service	119,180	-	119,180
Other Special Revenue Purposes	216,909	-	216,909
Unrestricted	2,317,619	26,353	2,343,972
Total Net Position	\$ 9,858,862	\$ 67,612	\$ 9,926,474

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 5,160,491	\$ 361,793	\$ 538,339	\$ -
Special Instruction	2,337,438	167,376	397,903	-
Other Instruction	896,854	293,554	42,945	-
Support Services:				
Student Services	245,079	-	23,307	-
Instructional Staff Services	487,187	-	102,727	-
Administration Services	968,145	-	-	-
Operation and Maintenance	853,364	15,070	-	-
Transportation Services	525,185	-	100,816	-
Other Expenditures:				
Facilities Acquisition and Construction Services	121,273	-	-	86,500
Long-term Debt Interest	432,491	-	-	-
AEA Flowthrough	459,315	-	459,315	-
Total governmental activities	<u>12,486,822</u>	<u>837,793</u>	<u>1,665,352</u>	<u>86,500</u>
Business Type Activity:				
Non-instructional Programs:				
Food Service Operations	<u>522,781</u>	<u>261,740</u>	<u>249,395</u>	<u>-</u>
Total Primary Government	<u>\$ 13,009,603</u>	<u>\$ 1,099,533</u>	<u>\$ 1,914,747</u>	<u>\$ 86,500</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Statewide sales, service and use tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Sale of Assets				
Miscellaneous				
Total general revenues and transfers				
Change in net position				
Net Position - beginning				
Prior Period Adjustment				
Net Position - beginning, as restated				
Net Position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (4,260,359)		\$ (4,260,359)
(1,772,159)		(1,772,159)
(560,355)		(560,355)
(221,772)		(221,772)
(384,460)		(384,460)
(968,145)		(968,145)
(838,294)		(838,294)
(424,369)		(424,369)
(34,773)		(34,773)
(432,491)		(432,491)
-		-
<u>(9,897,177)</u>		<u>(9,897,177)</u>
	\$ (11,646)	(11,646)
<u>(9,897,177)</u>	<u>(11,646)</u>	<u>(9,908,823)</u>
4,654,144	-	4,654,144
829,661	-	829,661
550,589	-	550,589
892,090	-	892,090
4,188,984	-	4,188,984
15,416	130	15,546
500	-	500
65,989	-	65,989
<u>11,197,373</u>	<u>130</u>	<u>11,197,503</u>
1,300,196	(11,516)	1,288,680
8,616,890	79,128	8,696,018
(58,224)	-	(58,224)
<u>8,558,666</u>	<u>79,128</u>	<u>8,637,794</u>
<u>\$ 9,858,862</u>	<u>\$ 67,612</u>	<u>\$ 9,926,474</u>

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Debt Service
Assets		
Cash and Pooled Investments	\$ 3,040,228	\$ 27,426
Receivables:		
Property Tax	25,889	5,013
Succeeding Year Property Tax	3,368,286	825,491
Income Surtax	424,034	-
Due from Other Funds	2,590	-
Due from Other Governments	318,745	-
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>7,179,772</u>	<u>857,930</u>
Liabilities		
Accounts Payable	155,068	-
Salaries and Benefits Payable	1,015,361	-
Due to Other Funds	-	-
Total Liabilities	<u>1,170,429</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue -		
Subsequent Year Property Taxes	3,368,286	825,491
Delinquent Property Tax	2,894	569
Income Surtax	424,034	-
Total Deferred Inflow of Resources	<u>3,795,214</u>	<u>826,060</u>
Fund Balances		
Restricted for:		
Categorical Funding	128,313	-
Debt Service	-	31,870
Management Levy Purposes	-	-
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Assigned:		
Donations	17,378	-
Unassigned	2,068,438	-
Total Fund Balances	<u>2,214,129</u>	<u>31,870</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,179,772</u>	<u>\$ 857,930</u>

See Accompanying Notes to Financial Statements

Other Governmental Funds		Total Governmental Funds	
\$	683,401	\$	3,751,055
	4,852		35,754
	792,890		4,986,667
	-		424,034
	-		2,590
	141,347		460,092
	155,633		155,633
	1,778,123		9,815,825
	173,097		328,165
	-		1,015,361
	2,590		2,590
	175,687		1,346,116
	792,890		4,986,667
	585		4,048
	-		424,034
	793,475		5,414,749
	-		128,313
	155,633		187,503
	108,905		108,905
	216,909		216,909
	139,904		139,904
	187,610		187,610
	-		17,378
	-		2,068,438
	808,961		3,054,960
\$	1,778,123	\$	9,815,825

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 3,054,960
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,819,837
Other long-term assets are not available to pay current year expenditures and, therefore, are reported as unavailable revenue in the funds.	428,082
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(68,892)
Accrued compensated absences not reported on the modified accrual basis.	(30,752)
Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(11,344,373)</u>
Total Net Position - Governmental Activities (page 16)	<u><u>\$ 9,858,862</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Debt Service
Revenue:		
Local Sources:		
Local Tax	\$ 4,413,706	\$ 829,888
Tuition	496,445	-
Other	168,892	-
State Sources	5,470,237	-
Federal Sources	338,825	-
Total Revenue	<u>10,888,105</u>	<u>829,888</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	4,612,985	-
Special Instruction	2,333,652	-
Other Instruction	593,808	-
Support Services:		
Student Services	244,588	-
Instructional Staff Services	409,307	-
Administration Services	882,656	-
Operation and Maintenance	720,398	-
Transportation Services	430,596	-
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Long-term Debt:		
Principal	-	1,155,000
Interest and Fiscal Charges	-	436,895
AEA Flowthrough	459,315	-
Total Expenditures	<u>10,687,305</u>	<u>1,591,895</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>200,800</u>	<u>(762,007)</u>
Other Financing Sources (Uses):		
Transfers In	-	767,385
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>767,385</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	200,800	5,378
Fund Balances - Beginning of Year	<u>2,013,329</u>	<u>26,492</u>
Fund Balances - End of Year	<u>\$ 2,214,129</u>	<u>\$ 31,870</u>

See Accompanying Notes to Financial Statements

<hr/>			
Other Governmental Funds		Total Governmental Funds	
<hr/>		<hr/>	
\$	1,665,220	\$	6,908,814
	-		496,445
	387,339		556,231
	-		5,470,237
	-		338,825
	<hr/> 2,052,559		<hr/> 13,770,552
	229,061		4,842,046
	-		2,333,652
	297,755		891,563
	-		244,588
	87,788		497,095
	80,565		963,221
	128,661		849,059
	137,268		567,864
	328,379		328,379
	-		1,155,000
	-		436,895
	-		459,315
	<hr/> 1,289,477		<hr/> 13,568,677
	<hr/> 763,082		<hr/> 201,875
	-		767,385
	(767,385)		(767,385)
	<hr/> (767,385)		<hr/> -
	(4,303)		201,875
	<hr/> 813,264		<hr/> 2,853,085
\$	<hr/> 808,961	\$	<hr/> 3,054,960

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$	201,875
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 366,010		
Depreciation expense	<u>(503,205)</u>		(137,195)

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(2,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	18,466
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	79,200		
Other postemployment benefits	(14,373)		
Compensated Absences	<u>(5,181)</u>		59,646

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	4,404
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Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year payments exceeded issuances, as follows:

Long-term debt issued	-		
Principal paid	<u>1,155,000</u>		<u>1,155,000</u>

Change in net position of governmental activities (page 16)	\$	<u><u>1,300,196</u></u>
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SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities		
	School Nutrition Fund	Nonmajor Fund Community Education	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Pooled Investments	\$ 27,677	\$ 366	\$ 28,043
Inventories	9,100	-	9,100
Total Current Assets	36,777	366	37,143
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	41,259	-	41,259
Total Noncurrent Assets	41,259	-	41,259
Total Assets	78,036	366	78,402
LIABILITIES			
Current Liabilities:			
Salaries and Benefits Payable	522	-	522
Unearned Revenue	10,268	-	10,268
Total Current Liabilities	10,790	-	10,790
Total Liabilities	10,790	-	10,790
NET POSITION			
Net Investment in Capital Assets	41,259	-	41,259
Unrestricted	25,987	366	26,353
Total Net Position	\$ 67,246	\$ 366	\$ 67,612

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business Type Activities		
	School Nutrition Fund	Nonmajor Community Education	Total Proprietary Funds
Operating Revenues:			
Charges for services	\$ 261,740	\$ -	\$ 261,740
Total Operating Revenue	261,740	-	261,740
Operating Expenditures:			
Food Service Operations:			
Salaries	173,323	-	173,323
Benefits	38,839	-	38,839
Supplies	296,594	-	296,594
Depreciation	12,564	-	12,564
Loss on Disposal of Capital Assets	1,461	-	1,461
Total Operating Expenditures	522,781	-	522,781
Operating (Loss)	(261,041)	-	(261,041)
Non-Operating Revenues:			
Interest Income	129	1	130
State Lunch Reimbursements	4,731	-	4,731
National School Lunch Program	208,046	-	208,046
Federal Food Commodities Received	36,618	-	36,618
Total Non-Operating Revenues	249,524	1	249,525
Change in net position	(11,517)	1	(11,516)
Net Position - Beginning of Year	78,763	365	79,128
Net Position - End of Year	\$ 67,246	\$ 366	\$ 67,612

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business Type Activities		Total Proprietary Funds
	School Nutrition Fund	Nonmajor Fund Community Education	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 264,077	\$ -	\$ 264,077
Cash payments for salaries and benefits	(212,162)	-	(212,162)
Cash payments for goods and services	(257,825)	-	(257,825)
Total cash (used) by operating activities	(205,910)	-	(205,910)
Cash flows from non-capital financing activities:			
Federal and state appropriations received	212,777	-	212,777
Total cash provided by noncapital financing activities	212,777	-	212,777
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,772)	-	(2,772)
Cash flows from investing activities:			
Interest on investments	129	1	130
Net increase in cash and cash equivalents	4,224	1	4,225
Cash and cash equivalents - beginning of year	23,453	365	23,818
Cash and cash equivalents - end of year	<u>\$ 27,677</u>	<u>\$ 366</u>	<u>\$ 28,043</u>
Reconciliation of operating (loss) to net cash used in operating activities:			
Operating (loss)	(261,041)	-	(261,041)
Adjustments to reconcile net operating loss to net cash provided by operating activities:			
Depreciation Expense	12,564	-	12,564
Loss On Disposal Of Fixed Assets	1,461	-	1,461
Commodities Used	36,618	-	36,618
(Increase) decrease in assets and increase (decrease) in liabilities:			
Inventory	1,629	-	1,629
Salaries and Benefits Payable	522	-	522
Unearned Revenue	2,337	-	2,337
Net cash (used) in operating activities	<u>\$ (205,910)</u>	<u>\$ -</u>	<u>\$ (205,910)</u>
Supplemental schedule of noncash investing, capital, and related financing activities:			
Federal food commodities received	<u>\$ 36,618</u>	<u>\$ -</u>	<u>\$ 36,618</u>

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets:	
Cash and Cash Equivalents	\$ 9,951
Total Assets	<u>9,951</u>
Liabilities:	
Other Payables	<u>-</u>
Net Position:	
Reserved for scholarships	<u>\$ 9,951</u>

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,250
Interest income	44
Total additions	<u>1,294</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,000</u>
Change in net position	(2,706)
Net position beginning of year	<u>12,657</u>
Net position end of year	<u><u>\$ 9,951</u></u>

SIoux CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sioux Center, Iowa and a large part of the agricultural community in Sioux County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Center Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net positions are reported in the following categories:

Net Investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operation of the District.

Additionally, the District reports the following fund types:

Fiduciary Funds – Fiduciary Funds focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

Private-Purpose Trust Fund - To account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following threshold and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 – 65
Improvements other than buildings	15 – 40
Intangibles	3 – 10
Furniture and equipment	5 – 7

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has subsequent year property taxes, delinquent property taxes, and income surtax recorded in governmental funds as deferred inflow of resources. The governmental activities in the government-wide statements report unavailable revenues from subsequent year property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the district intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classification.

Restricted Net Position – In the government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in each functional area did not exceed the budgeted amount.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,446 pursuant to Rule 2a-7 under the investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less.

NOTE 3 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$459,315 for the year ended June 30, 2013, and is recorded in the General Fund.

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Activity Fund	\$ 2,590

The Activity Fund is repaying the General Fund for cash shortages incurred in the Activity Fund.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 5 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Statewide Sales, Services and Use Tax	\$ 497,650
Debt Service	Physical Plant and Equipment Levy	269,735
Total		<u>\$ 767,385</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 150,978	\$ -	\$ -	\$ 150,978
Construction in Progress	-	202,639	-	202,639
Total capital assets not being depreciated	150,978	202,639	-	353,617
Capital assets being depreciated:				
Land Improvements	310,343	-	-	310,343
Buildings	20,446,709	-	-	20,446,709
Furniture and equipment	1,643,903	164,371	125,022	1,683,252
Total Capital assets being depreciated	22,400,955	164,371	125,022	22,440,304
Less: Accumulated Depreciation for:				
Land Improvements	115,853	8,096	-	123,949
Buildings	3,576,850	381,424	-	3,958,274
Furniture and equipment	900,198	113,685	122,022	891,861
Total Accumulated Depreciation	4,592,901	503,205	122,022	4,974,084
Total capital assets being depreciated, net	17,808,054	(338,834)	3,000	17,466,220
Governmental activities capital assets, net	\$17,959,032	\$ (136,195)	\$ 3,000	\$17,819,837
Business-type Activities:				
Furniture and equipment	\$ 249,095	\$ 2,772	\$ 2,505	\$ 249,362
Less: Accumulated Depreciation	196,583	12,564	1,044	208,103
Business-type activities capital assets, net	\$ 52,512	\$ (9,792)	\$ 1,461	\$ 41,259

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 394,775
Special Instruction	193
Other Instruction	12,484
Student Support	203
Administration	3,487
Instructional Staff Services	13,277
Operation and Maintenance	10,917
Transportation Services	<u>67,869</u>
Total depreciation expense – governmental activities	<u>\$ 503,205</u>
Business-type activities:	
Food Service Operations	<u>\$ 12,564</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 150,978	\$ -
Construction in Progress	202,639	-
Capital Assets (net of accumulated depreciation)	17,466,220	41,259
Less: General Obligation	(9,500,000)	-
Revenue Bonds Payable	(460,000)	-
Capital Loan Notes Payable	<u>(1,220,000)</u>	-
Net Investment in Capital Assets	<u>\$6,639,837</u>	<u>\$ 41,259</u>

NOTE 7 – RETIREMENT SYSTEM

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$586,876, \$513,959, and \$438,923, respectively, equal to the required contributions for each year.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 147 active and 2 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 25,836
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	25,836
Contributions made	(11,463)
Increase in net OPEB obligation	14,373
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 14,373</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 25,836	44%	\$ 14,373
2012	\$ 25,382	100%	\$ -
2011	\$ 25,382	100%	\$ -
2010	\$ 25,382	100%	\$ -

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$274,320, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$274,320. The

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

covered payroll (annual payroll of the active employees covered by the plan) was \$5,359,416 and the ratio of the UAAL to covered payroll was 5.1%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. Assumptions include a 3% growth in payroll per annum. An inflation rate of 3.0% is assumed for the purpose of this computation. Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook. The participation assumed is 25% for employees currently electing coverage. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 9,950,000	\$ -	\$ 450,000	\$ 9,500,000	\$ 450,000
Sales tax revenue bonds	935,000	-	475,000	460,000	460,000
Capital loan notes	1,450,000	-	230,000	1,220,000	230,000
Compensated absences	25,571	16,232	11,051	30,752	13,167
Termination benefits	229,200	-	79,200	150,000	60,000
Net OPEB Liability	-	14,373	-	14,373	-
	<u>\$ 12,589,771</u>	<u>\$ 30,605</u>	<u>\$ 1,245,251</u>	<u>\$ 11,375,125</u>	<u>\$ 1,213,167</u>

Termination Benefits

The District periodically offers an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District offered an early retirement benefit for the years ended June 30, 2008 through 2011.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2011. The application for early retirement is subject to approval by the Board of Education.

Early retirement participants will be provided with a cash benefit totaling \$30,000 to be paid at \$500 per month.

At June 30, 2013, the District has obligations to ten participants with a total liability of \$150,000. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$79,200.

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Refunding Issue of May, 2010			
	Interest Rates	Principal	Interest	Total
2014	3.0%	\$ 460,000	\$ 5,175	\$ 465,175
		\$ 460,000	\$ 5,175	\$ 465,175

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,835,000 of bonds issued in May, 2010. The bonds were issued for the purpose of refinancing previously issued bonds that funded the costs of school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenues. For the current year, \$497,650 of principal and interest was paid on the bonds. The total principal and interest remaining to be paid on the notes is \$465,175. For the current year total statewide sales, services and use tax revenues were \$892,090.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$9,022 of the proceeds from the issuance of the revenue bonds shall be deposited in the sinking fund for application to the first payment of interest on the bonds.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the revenue bond provisions during the year ended June 30, 2013.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Capital Loan Notes

The District issued \$1,900,000 of capital loan notes during the year ended June 30, 2010. These notes and the interest will be paid from the physical plant and equipment property tax levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.50%	\$ 230,000	\$ 34,060	\$ 264,060
2015	2.50%	240,000	28,310	268,310
2016	2.65%	240,000	22,310	262,310
2017	3.00%	250,000	15,950	265,950
2018	3.25%	260,000	8,450	268,450
		<u>\$ 1,220,000</u>	<u>\$ 109,080</u>	<u>\$ 1,329,080</u>

During fiscal year 2013 \$269,235 of principal and interest were paid on the notes.

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.500%	\$ 100,000	\$ 336,183	\$ 436,183
2015	3.625%	290,000	332,683	622,683
2016	3.750%	300,000	322,170	622,170
2017	4.00%	320,000	310,920	630,920
2018	4.00%	335,000	298,120	633,120
2019-2023	4.00-4.10%	2,315,000	1,268,800	3,583,800
2024-2028	4.17-4.40%	3,595,000	667,410	4,262,410
2029	4.45%	830,000	36,935	866,935
Total		<u>\$ 8,085,000</u>	<u>\$ 3,573,221</u>	<u>\$ 11,658,221</u>

Bond Issue of September 1, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.25%	\$ 350,000	\$ 29,308	\$ 379,308
2015	1.60%	145,000	24,932	169,932
2016	1.90%	150,000	22,613	172,613
2017	2.150%	150,000	19,762	169,762
2018	2.40%	150,000	16,538	166,538
2019-2021	2.55-3.00%	470,000	26,722	496,722
Total		<u>\$ 1,415,000</u>	<u>\$ 139,875</u>	<u>\$ 1,554,875</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – CONSTRUCTION COMMITMENT

The District has entered into a contract totaling \$375,206 for a remodeling project. As of June 30, 2013, costs of \$182,326 had been incurred against the contract. The balance of \$192,880 remaining at June 30, 2013 will be paid as work on the project progresses.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the governmental activities by \$58,224.

NOTE 13 – SUBSEQUENT EVENT

On October 10, 2013, the District approved the issuance of \$4,765,000 General Obligation School bonds to fund infrastructure improvements to the District's facilities. The bonds were issued on November 18, 2013 through competitive bids.

On November 18, 2013, the District authorized the issuance up to \$5,000,000 in General Obligation School bonds to fund the construction of a preschool facility. The bonds were not issued by the report release date.

REQUIRED SUPPLEMENTARY INFORMATION

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Final to Actual Variance
	Original	Final				
REVENUE:						
Local Sources:						
Local Tax	\$ 5,917,238	\$ 5,917,238	\$ 6,908,814	\$ -	\$ 6,908,814	\$ 991,576
Tuition	505,000	505,000	496,445	-	496,445	(8,555)
Other	1,737,952	1,737,952	556,231	261,870	818,101	(919,851)
State Sources	5,561,269	5,561,269	5,470,237	4,731	5,474,968	(86,301)
Federal Sources	520,000	520,000	338,825	244,664	583,489	63,489
Total Revenue	14,241,459	14,241,459	13,770,552	511,265	14,281,817	40,358
EXPENDITURES:						
Current:						
Instruction	8,627,581	8,627,581	8,067,261	-	8,067,261	560,320
Support Services	4,626,064	4,626,064	3,121,827	-	3,121,827	1,504,237
Non-instructional Programs	545,314	545,314	-	522,781	522,781	22,533
Other Expenditures	2,697,136	2,697,136	2,379,589	-	2,379,589	317,547
Total Expenditures	16,496,095	16,496,095	13,568,677	522,781	14,091,458	2,404,637
Excess (Deficiency) of Revenues Over Expenditures	(2,254,636)	(2,254,636)	201,875	(11,516)	190,359	2,444,995
Other Financing Sources (Uses):						
Transfers In	771,885	771,885	767,385	-	767,385	(4,500)
Transfers Out	(771,885)	(771,885)	(767,385)	-	(767,385)	4,500
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	(2,254,636)	(2,254,636)	201,875	(11,516)	190,359	2,444,995
Fund Balances - Beginning of Year	2,932,213	2,932,213	2,853,085	79,128	2,932,213	-
Fund Balances - End of Year	\$ 677,577	\$ 677,577	\$ 3,054,960	\$ 67,612	\$ 3,122,572	\$ -

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, the District had no budget amendments.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2011	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2012	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2013	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,359,416	5.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue	
	Management Levy	Activity Fund
Assets		
Cash and Pooled Investments	\$ 107,589	\$ 219,499
Receivables:		
Property Tax	1,506	-
Succeeding Year Property Tax	220,001	-
Due from Other Governments	-	-
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	329,096	219,499
Liabilities		
Accounts Payable	-	-
Due to Other Funds	-	2,590
Total Liabilities	-	2,590
Deferred Inflows of Resources		
Unavailable Revenue -		
Subsequent Year Property Taxes	220,001	-
Delinquent Property Tax	190	-
Total Deferred Inflow of Resources	220,191	-
Fund Balances:		
Restricted for:		
Debt Service	-	-
Management Levy Purposes	108,905	-
Student Activities	-	216,909
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Total Fund Balances	108,905	216,909
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 329,096	\$ 219,499

Schedule 1

Capital Projects			
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Governmental Funds	
\$ 171,654	\$ 184,659	\$ 683,401	
-	3,346	4,852	
-	572,889	792,890	
141,347	-	141,347	
155,633	-	155,633	
468,634	760,894	1,778,123	
173,097	-	173,097	
-	-	2,590	
173,097	-	175,687	
-	572,889	792,890	
-	395	585	
-	573,284	793,475	
155,633	-	155,633	
-	-	108,905	
-	-	216,909	
139,904	-	139,904	
-	187,610	187,610	
295,537	187,610	808,961	
\$ 468,634	\$ 760,894	\$ 1,778,123	

**SIoux CENTER COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue	
	Management Levy	Activity Fund
Revenue:		
Local Sources:		
Local Tax	\$ 222,541	\$ -
Other	4,049	294,599
Total Revenue	<u>226,590</u>	<u>294,599</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	69,900	-
Other Instruction	-	297,755
Support Services:		
Instructional Staff Services	-	-
Administration Services	64,510	-
Operation and Maintenance	29,247	-
Transportation Services	26,433	-
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Total Expenditures	<u>190,090</u>	<u>297,755</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,500</u>	<u>(3,156)</u>
Other Financing Sources (Uses):		
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>36,500</u>	<u>(3,156)</u>
Fund Balances - Beginning of Year	<u>72,405</u>	<u>220,065</u>
Fund Balances - End of Year	<u>\$ 108,905</u>	<u>\$ 216,909</u>

Schedule 2

Capital Projects		
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Governmental Funds
\$ 892,090	\$ 550,589	\$ 1,665,220
87,409	1,282	387,339
979,499	551,871	2,052,559
4,000	155,161	229,061
-	-	297,755
9,520	78,268	87,788
16,055	-	80,565
99,414	-	128,661
-	110,835	137,268
311,620	16,759	328,379
440,609	361,023	1,289,477
538,890	190,848	763,082
(497,650)	(269,735)	(767,385)
(497,650)	(269,735)	(767,385)
41,240	(78,887)	(4,303)
254,297	266,497	813,264
\$ 295,537	\$ 187,610	\$ 808,961

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013**

				Schedule 3
	Balance			Balance
	June 30,	Revenues	Expenditures	June 30,
	2012			2013
Activity				
F.F.A.	\$ 11,622	\$ 43,171	\$ 38,516	\$ 16,277
Vocal Music	10,673	80,785	80,423	11,035
Instrumental Music	12,111	7,538	13,448	6,201
National Honor Society	-	1,010	680	330
Dance Team	21,864	4,214	8,346	17,732
Student Council	7,134	1,949	3,038	6,045
Spanish Club	352	322	320	354
Drama	9,676	8,885	11,207	7,354
Speech	3,564	113	884	2,793
Middle School Vocal Music	1,356	1,535	1,741	1,150
Middle School Music	11,676	24,054	30,410	5,320
Athletics	99,939	91,365	84,578	106,726
Special Education Olympics	3,031	11	707	2,335
Middle School Annual	2,771	3,182	2,304	3,649
8th Grade	1,079	4	263	820
Music Trailer Account	293	4,511	4,510	294
Donations	3,830	17	-	3,847
Birthday Book Club	408	1,369	1,286	491
Annual	11,396	3,890	5,414	9,872
Mock Trial	1,702	8	-	1,710
Jets	1,201	5	-	1,206
Students Opposed to Drugs and Alcohol	11	-	-	11
General Activity	12	62	74	-
Senior Class	3,738	3	3,741	-
Junior Class	-	16,593	5,865	10,728
Math Club	626	3	-	629
Total for Activity Funds	\$ 220,065	\$ 294,599	\$ 297,755	\$ 216,909

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE TEN YEARS ENDED JUNE 30, 2013**

	Modified Accrual Basis of Accounting			
	2013	2012	2011	2010
Revenues:				
Local Sources:				
Local Tax	\$ 6,908,814	\$ 6,472,685	\$ 6,110,547	\$ 5,975,968
Tuition	496,445	508,405	489,314	339,164
Other	556,231	521,402	477,433	546,991
Intermediate Sources	-	-	-	-
State Sources	5,470,237	5,264,893	4,921,836	4,350,334
Federal Sources	338,825	461,488	614,691	903,270
Total	<u>13,770,552</u>	<u>13,228,873</u>	<u>12,613,821</u>	<u>12,115,727</u>
Expenditures:				
Instruction:				
Regular	4,842,046	4,404,720	4,179,915	4,114,531
Special	2,333,652	1,432,488	1,315,488	1,221,436
Other	891,563	1,568,683	1,613,900	1,611,849
Support Services:				
Student	244,588	262,567	299,506	294,734
Instructional Staff	497,095	576,091	521,166	444,192
Administration	963,221	920,921	887,857	894,122
Operation and maintenance of plant	849,059	885,673	792,490	761,533
Transportation	567,864	490,368	430,747	518,614
Central Support	-	-	-	-
Non-instructional programs	-	-	-	-
Other Expenditures:				
Facilities Acquisition	328,379	365,424	994,905	8,089,766
Long-term debt:				
Principal	1,155,000	1,120,000	3,465,000	2,611,420
Interest and other charges	436,895	458,525	581,807	568,270
AEA Flowthrough	459,315	440,446	465,672	458,122
Total	<u>\$ 13,568,677</u>	<u>\$ 12,925,906</u>	<u>\$ 15,548,453</u>	<u>\$ 21,588,589</u>

Schedule 4

Modified Accrual Basis of Accounting					
2009	2008	2007	2006	2005	2004
\$ 5,142,010	\$ 4,471,376	\$ 4,441,159	\$ 4,125,737	\$ 4,032,901	\$ 3,993,412
374,112	329,720	334,630	271,109	325,860	316,551
479,248	446,410	466,366	538,024	452,524	421,343
-	-	-	-	300	178
5,178,985	4,832,906	4,477,436	4,161,053	3,801,699	3,421,797
431,395	317,849	249,547	334,251	317,436	296,966
11,605,750	10,398,261	9,969,138	9,430,174	8,930,720	8,450,247
4,068,133	3,875,852	3,721,225	3,414,494	3,200,301	3,092,609
1,173,420	1,267,177	1,321,988	1,593,770	1,458,155	1,349,439
1,388,113	1,285,838	1,243,699	787,333	678,930	647,088
295,399	253,656	255,493	407,640	274,578	297,250
320,927	360,410	340,069	193,131	260,001	301,914
890,843	910,301	876,365	887,405	805,532	765,526
678,811	653,808	649,268	559,984	506,281	476,504
366,319	336,965	428,413	332,840	339,995	349,719
-	-	-	-	14,744	1,631
-	-	-	265	160	179
1,630,413	372,851	1,974,601	980,254	1,402,516	212,732
909,036	878,036	834,036	459,037	303,589	245,863
248,230	285,064	266,166	227,678	164,096	223,243
414,317	379,417	358,613	337,438	314,331	307,902
\$ 12,383,961	\$ 10,859,375	\$ 12,269,936	\$ 10,181,269	\$ 9,723,209	\$ 8,271,599

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	\$ 19,545
National School Lunch Program	10.555	FY13	224,208 *
Special Milk Program for Children	10.556	FY13	912
			<u>244,665</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	133,814
Improving Teacher Quality State Grants	84.367	FY13	40,917
Grants for State Assessments and Related Activities	84.369	FY13	6,786
Northwest Area Education Agency			
Special Education - Grants to States	84.027	FY13	79,609
Career and Technical Education - Basic Grants to States	84.048	FY13	9,146
English Language Acquisition Grants	84.365	FY13	<u>9,473</u>
Total			<u>\$ 524,410</u>

* - Includes \$36,618 of non-cash awards.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sioux Center Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Schedule 6

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux Center Community School District did not qualify as a low-risk auditee.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Schedule 6 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

MATERIAL WEAKNESS:

II-A-13 Financial Reporting

Observation – During the audit, we identified a material amount of retainage payable and the related construction in process not recorded in the District's financial statements. We also identified delinquent property taxes were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation –The District should implement procedures to ensure all payables, receivables and capital asset activity is identified and included in the District's financial statements.

Response – We will review the noted activity in the future to avoid missing any payables, receivables or capital asset transactions.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCY

No matters were reported.

Part IV: Other Findings Related to Statutory Reporting:

- | | |
|---------|---|
| IV-A-13 | <u>Certified Budget</u> – Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted. |
| IV-B-13 | <u>Questionable Expenditures</u> – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. |
| IV-C-13 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| IV-D-13 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted. |

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting (Continued):

- IV-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 254,297
Revenues:		
Sales tax revenues	\$ 892,090	
Other local revenues	<u>87,409</u>	<u>979,499</u>
		1,233,796
Expenditures:		
School infrastructure construction	311,620	
Equipment purchased	99,414	
Other	29,575	
Transfers to debt service fund	<u>497,650</u>	<u>938,259</u>
Ending Balance		<u>\$ 295,537</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting (Continued):

IV-M-13 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Prior Year Ended June 30, 2012

Schedule 6 (Continued)

Part V: Findings – Year Ended June 30, 2012

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA # 10.553: School Breakfast Program
CFDA # 10.555: National School Lunch Program and
CFDA # 10.556: Special Milk Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2012
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – The district has implemented additional procedures and controls to mitigate risk related to segregation of duties.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Sioux Center Community School District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the SIOUX CENTER COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Sioux Center Community School District's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sioux Center Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sioux Center Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sioux Center Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sioux Center Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

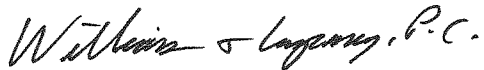
Sioux Center Community School District's Response to Findings

The Sioux Center Community School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sioux Center Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Le Mars, Iowa
December 6, 2013


Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of the
Sioux Center Community School District:

Report on Compliance for Each Major Federal Program

We have audited the SIOUX CENTER COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Sioux Center Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sioux Center Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sioux Center Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the Sioux Center Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sioux Center Community School

District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sioux Center Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants

Le Mars, Iowa
December 6, 2013